

NEWS & INSIGHTS

ROBERT WILKINS AND KAITLYN FAUCETT PUBLISH LAW360 ARTICLE ON SHAREHOLDER OPPRESSION IN TEXAS

April 10, 2023

Law360 **published an expert opinion piece** by Lightfoot, Franklin & White LLC Houston partners **Robert A. Wilkins** and **Kaitlyn M. Faucett** explaining how Texas courts are treating cases of shareholder oppression nine years after the Texas Supreme Court struck down that cause of action in *Ritchie v. Rupe*. Shareholder oppression happens when a majority interest in a closely held company mistreats minority owners, which can include ignoring input, terminating employment, refusing or minimizing dividends, or most anything else that results in lining the pockets of the majority at the expense of the minority.

“This behavior typically ends with a buyout offer at pennies on the dollar and a minority ownership interest that, by the majority’s design and bad acts, is valueless, regardless of the company’s actual value,” write Wilkins and Faucett.

Before *Ritchie*, Texas courts accepted shareholder oppression as a valid cause of action for minority shareholders defending their rights in court. In its *Ritchie* decision, however, the Texas Supreme Court decided that a common law cause of action for shareholder oppression is not warranted. That has left minority shareholders to pursue other claims focused on fiduciary duty in the hopes of addressing the issue, with little clarity from the courts.

A recent case has provided some insights into possible causes of action, however. In the article, Wilkins and Faucett analyze the January 2023 decision in *Sohani v. Sunesara*, a dispute between majority and minority shareholders. They write that the case “provides useful instruction on how an attack on self-dealing can and should be structured.” They also note that the decision is clear that the First Court of Appeals will enforce informal fiduciary duties in such circumstances and affirm the award of exemplary damages.

“And, while that does not fill the gaps left by *Ritchie*, it provides some measure of comfort to minority shareholders and, equally, the lawyers who represent them,” write Wilkins and Faucett.

Wilkins represents both plaintiffs and defendants in state and federal courts as well as before arbitral tribunals. He has a particular focus on commercial litigation involving the oil and gas industry, including business divorce cases, fiduciary duty issues, breach of contract claims, securities disputes and related matters. Wilkins has also handled personal injury and tort litigation, First Amendment issues and intellectual property disputes. He has been recognized as a Texas “Super Lawyer” by Texas Monthly every year since 2014.

Faucett maintains a diverse caseload, including commercial disputes, along with employment, healthcare, personal injury and real estate litigation. In a recent matter, she represented an oil field services provider as a plaintiff in a breach-of-contract dispute, obtaining summary judgment. The Houston Court of Appeals ultimately upheld the decision, which also awarded the clients all attorneys’ fees for both the trial and appeal.